

CONFIDENTIAL

22 MAY 1979

X1
MEMORANDUM FOR: Chairman, Agency Contract Review Board (ACRB)FROM:

Security Advisor, ACRB

SUBJECT: Audit Services for CIA Industrial Contracts 25X

REFERENCE: Chairman, ACRB memo dtd 16 May 79, same subj

1. Referent advised on a proposal that the Defense Contract Audit Agency (DCAA) assume responsibility for all audit services for Agency industrial contracts. As indicated in referent, the proposal raises concern in several areas, not the least of which is security.

2. There has been some suggestion that the proposal at the outset be limited to utilization of the DCAA's Detachment A which is detailed to this Agency to provide audit service on National Programs. Despite some acceptancy of this group, the issue must be joined on broader considerations. It should be noted that Detachment A personnel are certified by DIA to the Agency as meeting the security standards established under DCID 1/14. However, as detailees to the Agency, Detachment A personnel are not subject to a polygraph interview. Their level of clearance is Top Secret and they are approved for access to Sensitive Compartmented Information. Even though Detachment A personnel may be limited to auditing Agency contracts with contractors currently involved with National Programs, the potential exists for expanding this service beyond this number of contractors. The result would be an ever increasing insight into Agency sources and areas of interest. As the workload expands, it would become increasingly difficult to object to DCAA utilizing the balance of their auditors (approximately 3400) on Agency contracts. What the result might be of having such a large number of personnel enjoying this degree of broad access to Agency activities but not subject to Agency discipline is easily imagined.

3. In addition to their exposure to a wide array of Agency sources, consideration must also be given to the problem of the

OL 9 2057

25X

CONFIDENTIAL

~~CONFIDENTIAL~~SUBJECT: Audit Services for CIA Industrial Contracts

25X

 25X

4. The extent to which the DCAA personnel would require interface with the Contracting Officer's Technical Representative, many of whom might be under cover, and their need to participate in technical discussions bordering on operational matters is more difficult to assess but these factors need to be considered in our deliberation. The assumption must also be made that DCAA will retain audit records of Agency contracts in their custody. There would be a clear and present danger that information concerning Agency procurement activities could be disclosed as the result of Freedom of Information Act requests made on DCAA.

25X

5. Although the writer can appreciate the desire to centralize in government certain services of common concern, there are more overriding reasons for protecting intelligence sources and methods and exercising limitations on the number of personnel having need-to-know. The proposal has the potential for setting in motion a series of actions which would be counterproductive to current efforts now underway to upgrade the security standards of the Agency's industrial program.

25X

6. Lastly, some consideration should also be given to what precedent will be set should the proposal be acted upon. Would it encourage other DOD agencies, such as the Defense Contract Administration Service Region (DCASR) in offering to expand their service in providing for the security of our contractual efforts at contractor facilities? This would be a distinct possibility and cannot be ignored.

25X

7. In the view of the writer, this is an issue for which there is no compromise solution. Whatever the arguments may have been for the utilization of DCAA personnel in the National Programs, they are not believed to be relevant in this matter.

25X

cc: C/PMS/OL ~~CONFIDENTIAL~~